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News Release

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Albertville man sentenced for involvement in \$7.7-million mortgage fraud scheme

MINNEAPOLIS – Earlier today in federal court, a 31-year-old Albertville man was sentenced for his role in a mortgage fraud scheme that caused losses to lenders exceeding \$7 million. United States District Court Judge David S. Doty sentenced John Anthony Spencer to 125 months in prison on one count of conspiracy to commit mortgage fraud through interstate wire, ten counts of wire fraud, one count of bank fraud, and one count of money laundering. Spencer was indicted, along with two co-defendants, on December 7, 2010, and was convicted on June 2, 2011, after a three-week jury trial.

Trial evidence proved Spencer brokered fraudulent loans that were used by recruited purchasers to buy residential real estate at inflated prices. The transactions generated proceeds that greatly exceeded what the sellers were content to accept as full payment for their properties. The excess money was split up among the buyers Spencer recruited as well as Spencer himself and accomplices he solicited in an effort to bring the transactions to fruition. The properties included six single-family homes in north Minneapolis, five residential condominium units located on Fisk Avenue in St. Paul, four condo units located on Dayton Avenue in St. Paul, a home in Albertville, Minnesota, and two investment properties located in north Minneapolis.

Spencer, a mortgage broker at Minnesota One Mortgage, agreed to assist the owner of a five-plex condominium unit on Fisk Street in St. Paul to sell those units. To that end, Spencer recruited co-defendant Bryan Joseph Lenton, a real estate appraiser, to appraise each of the units at substantially more than the owner of the units was willing to accept as full payment for them. Spencer then recruited straw buyers to purchase the units with loan proceeds obtained via fraudulent loan applications prepared by Spencer and Patrick Arthur Dols, another mortgage broker. Spencer also arranged for \$227,800 in payments to AC Standard Construction for purported work on two of the five units. In reality, however, no work was done. In fact, AC Standard Construction was nothing more than a sham company through which those involved in

the fraud received kickbacks.

In April of 2006, Spencer engaged in similar conduct with an unnamed co-conspiring real estate developer who had been unable to sell six single-family homes in north Minneapolis. In that instance, two purchasers were recruited to buy the properties, again with the proceeds of loans fraudulently brokered by Spencer and Dols.

Also in April of 2006, Spencer conducted the same scam with the condominium owner of the Dayton Avenue units. After the closings on each of the four units, Spencer caused substantial sums of money to be paid into a sham homeowners' association account, from which kickbacks were paid to Spencer and others involved in the scheme, including the people recruited to buy the units.

On March 8, 2011, Lenton, age 32, of Oakdale, pleaded guilty to one count of conspiracy in connection to this same fraud. In his plea agreement, Lenton admitted he provided appraisals for properties that falsely inflated market values in order to create a pool of funds to be split among him, Spencer, and the straw buyers. On March 1, 2011, Dols, age 38, of Minneapolis, pleaded guilty to one count of conspiracy. In his plea agreement, Dols admitted that his role in the conspiracy was to take fraudulently drafted loan applications in the names of various straw buyers and find lenders willing to make mortgage loans based on the false information he was providing. For their crimes, Dols and Lenton face a potential maximum penalty of five years in prison. Sentencing dates for Dols and Lenton have not been scheduled.

Spencer also defrauded Anoka Hennepin Credit Union by borrowing more than \$700,000 from that institution fraudulently to purchase his home in Albertville. In that transaction, he received \$73,000 back at closing without the knowledge of Anoka Hennepin Credit Union. He also took out second mortgages against two investment properties secured by phantom equity.

This case was the result of an investigation by the Internal Revenue Service-Criminal Investigation Division. It was prosecuted by Assistant U.S. Attorney David J. MacLaughlin.

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